

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

15th CONGRESS
SECOND REGULAR SESSION

House Bill No. 6051



INTRODUCED BY HONORABLE MARK A. VILLAR

EXPLANATORY NOTE

Congress is mandated by the Fundamental Law to evolve a progressive system of taxation in order to approximate the contribution of the people to the lifeblood of the State. This is in accordance with their ability to pay and the amount of benefit they derive from the protection extended to them by the State. However, it is unfortunate that congress has resorted to the system of value added taxes in order to generate more revenues for the State coffers. This system by its very nature is regressive and becomes more burdensome on the poor who are less likely to have adequate access to medicines as it is expensive due the imposition of VAT and importation fees.

The primary intent of the "Universally Accessible Cheaper Medicines Act of 2008" or RA No. 9502 was to drop the prices of essential medicines and drugs in the Philippines. This measure was clearly crafted with the purpose of making medicines accessible for all. However, despite the passage of the law, medicines remain to be one of the most expensive commodities, depriving a majority of our people access to medical aid. Thus, there is a great need for additional legislation in order to make adequate and affordable healthcare available for all.

Under the current circumstances, the basic active ingredients, raw and other auxiliary materials for the manufacture of medicines are imported by Pharmaceutical Companies. Upon importation, these products are already burdened with duties and tariffs. In addition, a 12 percent Value Added Tax (VAT) is imposed on their sales. Furthermore, sale of manufactured drugs are subject to another 12 percent Value Added Tax and sales tax by local governments. With all these fees and taxes, medication becomes more unaffordable to the ordinary Filipino.

The removal of Tariffs and Value Added Tax on medicines will lead to significant savings for our people especially where millions live in poverty. It should be a priority of the government to see to it that the poorest of poor can acquire proper health care thru quality medicines. This bill seeks to further cut down the charge of health care in the country by making medicines affordable. Exemption from the coverage of the Value-Added Tax and the removal of tariffs on medicines will allow for lower-priced but quality health care that can be attained by every Filipino.

For the forgoing reasons, the approval of this bill is earnestly sought.



MARK A. VILLAR

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6051

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1 AN ACT EXEMPTING THE SALE AND IMPORTATION OF DRUGS, MEDICINES,
2 PHARMACEUTICAL PRODUCTS AND RELATED RAW MATERIALS, AND
3 PHARMACEUTICAL EQUIPMENT AND INSTRUMENTS USED FOR THE
4 MANUFACTURE THEREOF FROM THE COVERAGE OF REPUBLIC ACT NO. 8424,
5 OTHERWISE KNOWN AS NATIONAL INTERNAL REVENUE CODE OF 1997, AS
6 AMENDED BY REPUBLIC ACT NO. 9337 AND THE IMPOSITION OF TARIFF AND
7 DUTIES AND FOR OTHER PURPOSES
8

9 *Be it enacted by the Senate and the House of Representatives of the Philippines in*
10 *Congress assembled:*
11

12 SECTION 1. This Act shall apply to the sale and importation of drugs, medicines,
13 pharmaceutical products and related raw materials and pharmaceutical equipment and
14 instruments used for the manufacture thereof.
15

16 SECTION. 2. Section 109 of Republic Act No. 8424, otherwise known as the
17 National Internal Revenue Code of 1997, as amended by Republic Act No. 9337, is hereby
18 further amended to read as follows:
19

20 SEC. 109. Exempt Transactions - Subject to the provisions of
21 subsection (2) hereof, the following transactions shall be exempt from value-
22 added tax:
23

24 X X X
25

26 (W) SALE OR IMPORTATION OF DRUGS, MEDICINES,
27 PHARMACEUTICAL PRODUCTS AND RELATED RAW
28 MATERIALS, AND PHARMACEUTICAL EQUIPMENT AND
29 INSTRUMENTS USED FOR THE MANUFACTURE
30 THEREOF.
31

32 SECTION. 3. The importation of drugs, medicines, pharmaceutical products and
33 related raw materials and pharmaceutical equipment and instruments used for the
34 manufacture thereof shall be exempted from tariff and duties; Provided, That the
35 importation of said articles shall be accompanied by a certificate duties issued by the
36 Department of Finance stating that such importation is exempt from tariffs and duties;
37 Provided further, that said certificate is based on a certification by the Food and Drugs
38 Administration that the said products being brought into the country are drugs, medicines,
39 pharmaceutical products and related raw materials and pharmaceutical equipment and
40 instruments used for the manufacture thereof.
41

42 SECTION. 4. Implementing Rules and Regulations. - The Secretary of Finance,
43 upon recommendation of the Commissioners of Internal Revenue and the Tariff
44 Commission, respectively, and, in coordination with the Department of Health and the Food
45 and Drugs Administration shall promulgate within thirty days from the effectivity of this
46 Act the necessary Rules and Regulations to implement the provisions of this Act.
47

48 SECTION. 6. Separability Clause - If any provision of this Act is declared
49 unconstitutional or invalid, the provisions not affected thereby shall continue to be in full
50 force and effect.
51

52 SECTION. 7. Repealing Clause - All laws, republic acts, presidential decrees
53 orders, rules and regulations or other issuance of government agencies inconsistent with
54 the provisions of this Act are hereby ~~repealed~~, amended or modified accordingly.
55

56 SECTION. 8. Effectivity Clause - This Act shall take effect fifteen days after its
57 publication in the Official Gazette or in two newspapers of general circulation.
58

59 Approved